

Message Text

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C O N F I D E N T I A L BONN 16126

E.O. 11652: GDS

TAGS: EEC, EAID, EA, GW

SUBJ: EC FOOD AID TO VIETNAM

REF: EC BRUSSELS 8838

1. IN COMMENTING ON PROSPECTS FOR FRG-VIETNAM ECONOMIC RELATIONS, FRG OFFICIALS OFFERED THAT THE FRG WILL HAVE NO DIFFICULTY APPROVING AN EC FOOD AID PROGRAM FOR VIETNAM. THESE OFFICIALS ARE NOT OPTIMISTIC, HOWEVER, ABOUT THE FRG PROPOSAL TO COORDINATE EC AID TO VIETNAM. SEVERAL EC MEMBERS ARE WELL AHEAD OF THE FRG IN VIETNAM AID DISBURSEMENT AND MAY NOT BE IN A POSITION TO AGREE TO COMMON GUIDELINES.

2. SEVERAL BILATERAL ECONOMIC ISSUES REMAIN TO BE SETTLED BETWEEN THE FRG AND VIETNAM. THE AID MINISTRY STILL CARRIES \$30 MILLION IN OLD SOUTH VIETNAMESE DEVELOPMENT AID DEBTS ON ITS RECORDS AND FRG BUSINESSES HAD \$10 MILLION IN INVESTMENTS IN SOUTH VIETNAM WHEN THE FALL CAME. IN FUTURE CONTACTS, THE FRG WILL ATTEMPT TO HAVE THE NEW VIETNAMESE GOVERNMENT ASSUME
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THESE DEBTS BEFORE A FULL REGULARIZATION OF ECONOMIC

RELATIONS TAKES PLACE. FRG OFFICIALS ADMIT, HOWEVER, THAT THEY WILL HAVE TO COMPROMISE ON THE OLD DEBTS ISSUE.

3. ABOUT \$32 MILLION IN UNALLOCATED CAPITAL AID COMMITMENTS WAS THE SUBJECT OF VIETNAMESE INQUIRIES EARLIER THIS YEAR. VIETNAM REQUESTED THE FRG DISBURSE THIS MONEY QUICKLY, BUT THE FONOFF COUNTERED BY REQUESTING VIETNAMESE IDEAS ON POSSIBLE DEVELOPMENT PROJECTS. NO REPLY FROM VIETNAM TO THIS POSITION HAS YET BEEN RECEIVED. THE \$32 MILLION REMAINS ON AID MINISTRY BOOKS BUT NO NEGOTIATIONS ARE NOW SCHEDULED TO RESOLVE THE QUESTION OF DISBURSEMENT.

4. GERMAN BUSINESS IS OF COURSE PRIMARILY INTERESTED IN THE QUESTION OF EXPORT CREDIT GUARANTEES FOR VIETNAM. SUCH GUARANTEES ARE NOT NOW GIVEN BY THE FRG, ALTHOUGH THE ECONMIN HAS RECEIVED SEVERAL INQUIRIES FROM GERMAN BUSINESSMEN.

5. A POST-ELECTION GOVERNMENT WILL TAKE A FRESH LOOK AT THESE ISSUES NEXT YEAR. IF NO AGREEMENT ON DEBTS AND AID IS POSSIBLE, THERE MAY BE SOME ATTEMPT TO ESTABLISH A TRIAL GUARANTEE PROGRAM TO TEST THE WATERS OF BILATERAL ECONOMIC RELATIONS.
HILLENBRAND

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